

AMENDED IN ASSEMBLY APRIL 29, 2003

AMENDED IN ASSEMBLY APRIL 21, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 711

Introduced by Assembly Member Correa

February 19, 2003

~~An act to add Section 4972.5 to the Financial Code, relating to consumer loans. An act to amend Sections 10153.2 and 10170.5 of the Business and Professions Code, relating to real estate licenses.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 711, as amended, Correa. ~~Consumer loans: lending practices courses~~ *Real estate licenses.*

Existing law requires applicants for a real estate broker license and applicants for a real estate license renewal to meet certain education requirements.

This bill would require an applicant for a real estate broker license to complete a 3-semester unit course, or the quarter equivalent, in mortgage loan brokering and lending. The bill would require the courses or programs related to consumer protection for purposes of renewing a real estate license to include forms of mortgage loan origination relevant to serving consumers in the marketplace.

~~Existing law imposes various restrictions on certain consumer laws defined as “covered loans,” including, prohibiting a covered loan from including a prepayment fee or penalty after the first 36 months after the date of the loan and requiring a specified disclosure notice to be provided to a consumer before a covered loan is made.~~

~~This bill would require a person to complete a best lending practices course approved by the Business, Transportation, and Housing Agency before engaging in the origination of consumer loans. The bill would require a person who has been originating consumer loans before January 1, 2004, to complete a refresher course on best lending practices by July 1, 2004.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~ *no*. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. Section 4972.5 is added to the Financial Code,~~
2 ~~SECTION 1. Section 10153.2 of the Business and Professions~~
3 ~~Code is amended to read:~~
4 10153.2. (a) An applicant to take the examination for an
5 original real estate broker license shall also submit evidence,
6 satisfactory to the commissioner, of successful completion, at an
7 accredited institution, of:
8 (1) A three-semester unit course, or the quarter equivalent
9 thereof, in each of the following:
10 (A) Real estate practice.
11 (B) Legal aspects of real estate.
12 (C) Real estate appraisal.
13 (D) Real estate financing.
14 (E) Real estate economics or accounting.
15 (F) *Mortgage loan brokering and lending.*
16 (2) A three-semester unit course, or the quarter equivalent
17 thereof, in three of the following:
18 (A) Advanced legal aspects of real estate.
19 (B) Advanced real estate finance.
20 (C) Advanced real estate appraisal.
21 (D) Business law.
22 (E) Escrows.
23 (F) Real estate principles.
24 (G) Property management.
25 (H) Real estate office administration.
26 (I) ~~Mortgage loan brokering and lending.~~
27 ~~(J) Computer applications in real estate.~~
28 ~~(K)~~



1 (J) On and after July 1, 2004, California law that relates to
2 common interest developments, including, but not limited to,
3 topics addressed in the Davis-Stirling Common Interest
4 Development Act (Title 6 (commencing with Section 1350) of
5 Part 4 of Division 2 of the Civil Code).

6 (b) The commissioner shall waive the requirements of this
7 section for an applicant who is a member of the State Bar of
8 California and shall waive the requirements for which an applicant
9 has successfully completed an equivalent course of study as
10 determined under Section 10153.5.

11 (c) The commissioner shall extend credit under this section for
12 any course completed to satisfy requirements of Section 10153.3
13 or 10153.4.

14 *SEC. 2. Section 10170.5 of the Business and Professions*
15 *Code, as added by Section 4 of Chapter 1116 of the Statutes of*
16 *2002, is amended to read:*

17 10170.5. (a) Except as otherwise provided in Sections
18 10153.4 and 10170.8, no real estate license shall be renewed unless
19 the commissioner finds that the applicant for license renewal has,
20 during the four-year period preceding the renewal application,
21 successfully completed the 45 clock hours of education provided
22 for in Section 10170.4, including all of the following:

23 (1) A three-hour course in ethics, professional conduct, and
24 legal aspects of real estate, which shall include, but not be limited
25 to, relevant legislation, regulations, articles, reports, studies, court
26 decisions, treatises, and information of current interest.

27 (2) A three-hour course in agency relationships and duties in a
28 real estate brokerage practice, including instruction in the
29 disclosures to be made and the confidences to be kept in the various
30 agency relationships between licensees and the parties to real
31 estate transactions.

32 (3) A three-hour course in trust fund accounting and handling.

33 (4) A three-hour course in fair housing.

34 (5) Not less than 18 clock hours of courses or programs related
35 to consumer protection, and designated by the commissioner as
36 satisfying this purpose in his or her approval of the offering of
37 these courses or programs, which shall include, but not be limited
38 to, forms of real estate financing, *including mortgage loan*
39 *origination*, relevant to serving consumers in the marketplace,
40 land use regulation and control, pertinent consumer disclosures,

1 agency relationships, capital formation for real estate
2 development, fair practices in real estate, appraisal and valuation
3 techniques, landlord-tenant relationships, energy conservation,
4 environmental regulation and consideration, taxation as it relates
5 to consumer decisions in real estate transactions, probate and
6 similar disposition of real property, governmental programs such
7 as revenue bond activities, redevelopment, and related programs,
8 business opportunities, mineral, oil, and gas conveyancing, and
9 California law that relates to managing community associations
10 that own, operate, and maintain property within common interest
11 developments, including, but not limited to, management,
12 maintenance, and financial matters addressed in the Davis-Stirling
13 Common Interest Development Act.

14 (6) Other courses and programs that will enable a licensee to
15 achieve a high level of competence in serving the objectives of
16 consumers who may engage the services of licensees to secure the
17 transfer, financing, or similar objectives with respect to real
18 property, including organizational and management techniques
19 that will significantly contribute to this goal.

20 (b) Except as otherwise provided in Section 10170.8, no real
21 estate license shall be renewed for a licensee who already has
22 renewed under subdivision (a), unless the commissioner finds that
23 the applicant for license renewal has, during the four-year period
24 preceding the renewal application, successfully completed the 45
25 clock hours of education provided for in Section 10170.4,
26 including a six-hour update survey course that covers the subject
27 areas specified in paragraphs (1) to (4), inclusive, of subdivision
28 (a).

29 (c) Any denial of a license pursuant to this section shall be
30 subject to Section 10100.

31 (d) For purposes of this section, “successful completion” of a
32 course described in paragraphs (1) to (4), inclusive, of subdivision
33 (a) means the passing of a final examination.

34 ~~(e) This section shall become operative on July 1, 2003.~~
35 ~~to read:~~

36 ~~4972.5. (a) A person shall satisfy the following requirements~~
37 ~~before engaging in the origination of consumer loans:~~

38 ~~(1) Complete a best lending practices course approved by the~~
39 ~~Business, Transportation, and Housing Agency before becoming~~
40 ~~eligible to originate consumer loans. The course shall include, but~~

1 ~~not be limited to, loan origination form completion, disclosure~~
2 ~~requirements, methods of determining ability of the borrower to~~
3 ~~repay the loan, guidelines for assuring the loan is of reasonable~~
4 ~~benefit to the borrower, applicable laws and regulations governing~~
5 ~~the origination process, and the penalties for violation of those~~
6 ~~laws and regulations. Any person successfully completing the~~
7 ~~course shall be provided a certificate of completion and assigned~~
8 ~~an originator number that shall be entered into a database easily~~
9 ~~accessible for public review to be maintained by the Business,~~
10 ~~Transportation, and Housing Agency.~~

11 (2) ~~Lenders, brokers of record, and any other entity engaged in~~
12 ~~the origination of consumer loans shall require persons who will~~
13 ~~be originating consumer loans to submit a copy of the certificate~~
14 ~~of completion, which shall be retained on file and be subject to~~
15 ~~review in the course of an audit by a licensing agency.~~

16 (3) ~~To remain eligible to originate consumer loans, the best~~
17 ~~lending practices course certificate of completion shall be renewed~~
18 ~~every four years on or before the anniversary date of original~~
19 ~~course completion by completing an approved refresher course.~~
20 ~~Any person who has been originating consumer loans before~~
21 ~~January 1, 2004, shall be required to complete the refresher course~~
22 ~~by July 1, 2004, with renewal every four years thereafter.~~

23 (b) ~~Courses required by this section may be offered and~~
24 ~~administered by bona fide not-for-profit, tax exempt, professional~~
25 ~~trade associations representing the interests of, and providing a~~
26 ~~broad range of membership services to, persons engaged in the~~
27 ~~practice of consumer loan origination if the associations require~~
28 ~~adherence to a code of professional conduct for membership.~~
29 ~~Courses may also be offered by other entities that meet standards~~
30 ~~established by the Business, Transportation, and Housing Agency.~~

31 (e) ~~For the purposes of this section, "person" means any~~
32 ~~individual, who for compensation, brings a borrower and lender~~
33 ~~together to obtain a consumer loan.~~